

Message Text

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ACTION XMB-04

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FM AMEMBASSY MANILA

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PASS EXIMBANK

E.O. 11652: N/A

TAGS: BPRO, EFIN, RP

SUBJ: FCIA INSURANCE FOR CREDIT TO RIVERSIDE MILLS

REF: A) MANILA 7565 DATED JUNE 24, 1974 B) STATE 037086

1. EMBASSY HAS NO OBJECTION TO EXIM SUPPORT OF INSURANCE ON CREDIT TO RIVERSIDE MILLS CORPORATION. RMC IS LARGE, LONG ESTABLISHED AND DIVERSIFIED TEXTILE FIRM WITH RECORD OF CONTINUING GROWTH AND SOLID BUSINESS REPUTATION. FIRM'S AUDITED FINANCIAL REPORT REVEALS 59 PER CENT INCREASE IN SALES FOR ACCOUNTING YEAR ENDING SEPTEMBER 30, 1974. NET INCOME IN 1974 WAS P5 MILLION AND RETAINED EARNINGS P14 MILLION. (FIRM'S ACCOUNTANTS, SGV AND CO., STATE BOTH THESE FIGURES WOULD HAVE BEEN REDUCED BY 30-40 PERCENT. (IF THE FIRM HAD CHARGED DEPRECIATION ON THE ACCRUED INCREMENT IN VALUE OF ITS MACHINERY AND EQUIPMENT TO OPERATING COST RATHER THAN REDUCING INCREMENT.)

2. FIRM HAS COTTON CONTRACTS OUTSTANDING FOR ABOUT 1500 BALES AT UP TO 70 CENTS PER BALE. FIRM'S PRESIDENT STATED THESE CONTRACTS WERE NO PROBLEMS. EMBASSY WOULD CONCUR WITH OBSERVATION THAT FIRM
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PRESUMABLY WILL HAVE TO FULFILL CONTRACTS IN ORDER

OBTAIN GOP APPROVAL FOR CREDIT.

3. FIRM'S INVENTORY, ALTHOUGH LESS AFFECTED BY SLOW-DOWN OF TEXTILE DEMAND THAN OTHER PHILIPPINE FIRMS, HAS RISEN OVER PAST YEAR. FIRM PRESIDENT HAS REPORTED HE HAS ARRANGED FOR ADDITIONAL FINANCING WITH PHILIPPINES NATIONAL BANK TO STRENGTHEN FIRM'S LIQUIDITY POSITION OVER NEXT SIX MONTHS. HE STATES FIRM OPERATING AT 85 TO 90 PERCENT OF CAPACITY IN MOST LINES AND IS ENJOYING RISING FOREIGN SALES AND SATISFACTORY DOMESTIC SALES.

4. RMC HAS PREVIOUSLY RECEIVED FCIA INSURANCE FOR CREDITS FINANCING RAW MATERIALS AND EQUIPMENT IMPORTS. FIRM'S CONSIDERABLE UTILIZATION OF FCIA INSURED CREDITS HAS LED FIRM PRESIDENT TO QUESTION CONTINUING "THE" CREDIT CLASSIFICATION AFFORDED PHILIPPINES BY EXIM. ACCORDING PRESIDENT THIS CLASSIFICATION INCREASES INSURANCE COST TO FIRM. (EMBASSY NOTES THAT CHAIRMAN CASEY DURING HIS LAST VISIT TO PHILIPPINES INFORMED REPRESENTATIVES OF U.S. BANKS THAT REVISION OF D RATING WAS LONG OVERDUE IN LIGHT OF IMPROVED PHILIPPINES FINANCIAL STANDING OVER PAST TWO YEARS.) IN ADDITION TO EXIM EXPOSURE TO RMC THROUGH FCIA, EXIM HAS EXTENDED DIRECT CREDIT IN GUARANTEES TOTALLING MORE THAN \$10 MILLION TO LAKEVIEW INDUSTRIAL CORPORATION, A POLYESTER MANUFACTURING PROJECT OWNED BY INDIVIDUALS AFFILIATED WITH RMC.

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